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Article

The European Investment Bank’s ‘Quantum Leap’ to Become the World’s First International Climate Bank

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Abstract

In November 2019, the European Investment Bank (EIB) announced its ‘metamorphosis’ into a ‘Climate Bank.’ Associated with the EU’s Green Deal, presented a month later, the EIB claimed to be the first international climate bank and a front runner in the EU’s priority climate agenda. The EIB is mandated through the treaties to support EU policymakers. However, with its ‘makeover,’ the EIB also announced the launch of a new climate strategy and energy lending policy, ending fossil fuel financing after 2021. It is thus valuable to examine the question of whether the EIB has developed into a policymaker, and if so, how this can be best understood. In exploring this question, this article follows a principal-agent approach, attempting to discern the rational interests behind organisational rhetoric and posits that the EIB’s claimed transformation hints at a type of policymaking activism, exploiting a policy window to serve the EIB’s rational interests in a strained political and market contest. This represents a paradigm shift in the EIB’s institutional behaviour and rhetoric within the EU governance constellation and is, in fact, in this sense a ‘quantum leap’ as suggested by the EIB. However, it remains to be seen if the bank’s metrics will prove a bold departure from their current activity or simply another adaptation to a policy field of intense interest to the EU, as has occurred on several occasions in the past.

Keywords

climate change; climate finance; European governance; European Green Deal; European Investment Bank; European Union

Issue

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1. Introduction

The European Investment Bank (EIB) has emerged as one of the international community’s great success stories of the post-World War II era. Since its foundation in 1957, the primary financial arm of the EU became the world’s largest multilateral bank—as lender and borrower—surpassing better-known institutions, such as the World Bank. With its operations undergoing progressive international expansion in over 160 countries, the bank has developed into a global actor. Set up to address a market failure in long-term capital flows to post-conflict Europe, the EIB has a dual nature that is unique among multilateral banks—it is both an EU body and a bank (Bussière, Dumoulin, & Willaert, 2008).

Accordingly, it combines its institutional character with financial heft and technical knowledge. As a result of the EIB’s dual nature, its activity has shifted on several occasions, adapting to both policy and market developments and reflecting the geo-economic landscape as well as the ever-emerging challenges, which call for global collective action and financing. Originally geared toward the EU’s harmonised and integrated development, the EIB turned into a market-making support mechanism (Clifton, Diaz-Fuentes, & Revuelta, 2014) and subsequently a multifocal economic booster.

As a European body, the EIB has been increasingly solicited by the EU to assist in facing these ever-changing challenges. There have been repeated calls from the EU to extend the EIB’s objectives and its geographical

and sectoral reach as well as to ‘strengthen’ its support in times of economic downturn. In this vein, it has been called upon to promote economic recovery against the backdrop of the financial crisis through the framework of the Juncker Plan in 2014 and to support the post-pandemic fight and economic restart in 2020 (EIB, 2020a). Climate change is one of the defining issues of our time which requires coordinated policy and action, in which the EIB can play a key role, as it is empowered to do both. Financing is important for unlocking the necessary investment for mitigating climate challenges (Alonso & Cuesta, 2021). In November 2019, the EIB announced its ‘metamorphosis’ into a ‘Climate Bank’: Associated with the EU’s Green Deal, presented a month later, the EIB claimed to be the first international public climate bank and a front runner in the EU’s priority climate agenda. In its EU institutional capacity, the EIB is mandated through the treaties to support EU policy initiatives and hence to follow rather than anticipate the Commission. Nonetheless, upon publicizing its claimed ‘makeover’ into a climate bank, the EIB also simultaneously revealed the launch of a new climate strategy and energy lending policy ending fossil fuel financing after 2021. The EIB is relatively well-positioned to play a proactive role in policymaking. Building on the green financial and operational initiatives, which the bank started to develop earlier than the Commission (as in the case of the issuance of the green bonds in 2007, which came well ahead of the Commission’s streamlined climate policy involvement in 2015) the question is whether, and if so for what reasons, the EIB adopted a new policymaking role. Consequently, it is worth researching whether the EIB developed from a technocratic policy-taker into a policymaker, and if so, how this can be best understood. Is the EIB’s ‘pivot’ to climate a paradigm change?

This article builds on existing scholarly work examining the EIB’s evolving policymaking role (Clifton et al., 2014; Liebe & Howarth, 2019; Mertens & Thiemann, 2017, 2019; Robinson, 2009). However, it examines a new topic—the bank’s claimed transformation into a climate bank—which is so recent that the academic community has not yet had time to develop an interest in it. The article is among the first, if not the first, to study the EIB’s conversion into a climate bank, which thus constitutes its scientific contribution. The remainder of the article is structured as follows: Section 2 presents the underlying theoretical framework and applied approach. Section 3 provides a historic evolution of the bank’s institutional trajectory in two sub-sections, from its policy-taking days to modern-day policymaking transformations. Section 4 studies contextual insights related to the background and motivations behind the EIB’s switch to a climate bank and analyses whether the turn constitutes a preferred or forced change. Section 5 evaluates whether the ‘pivot’ represents a paradigm shift and a ‘quantum leap.’ Finally, the conclusion provides a synthetic overview of the key findings.

2. Theoretical Framework and Methodology

As EIB’s nature goes well ‘beyond that of a financial institution’ (van der Zwet, Bachtler, Miller, Vernon, & Dozhdeva, 2016) being an EU body and a bank, this conversion influences EU governance as well as the market. The article thus uses the sociology of markets as a conceptual framework, which explains the social relations that exist between suppliers, producers, consumers, and the state. It is a framework used for theorising public banks as dynamic institutions (Romero, 2020), which allows the study of the EIB as an actor in relation to its major stakeholders, such as other EU governance counterparts and market players. In particular, this article analyses the background and motivation of EIB’s turn to a climate bank—claimed to represent a ‘quantum leap’ (EIB, 2019b, p. 1). Accepting EIB’s challenge of a claimed ‘quantum leap,’ the article draws from quantum mechanics. Specifically, it follows the view of Erwin Schrödinger that it is meaningless to analyse individual objects in real-time. He proposed instead that only the scrutiny of ‘ensembles’ of many particles and their record over time, can allow for understanding phenomena in their quantum trajectory. The article follows EIB’s quantum trajectory and attempts to answer the following research questions: Is EIB’s ‘quantum leap’ just a further term in its search for an identity in its perpetual pendular swing between the two poles of its nature, acting upon EU request and in alignment with new European policy, or for other reasons? What could these reasons possibly be? Is EU’s policy-driven bank a policy-taking or a policymaking actor when changing into a ‘climate bank’?

The article concentrates on the EIB’s institutional nature. In examining the research questions within its chosen conceptual framework, the article examines the EIB from a ‘collective dynamics’ perspective, drawing on the sociology of markets, while examining the bank’s policymaking and policymaking roles over-time for understanding its change into a climate bank. This framework helps to shed light on both faces of the bank’s dual nature while viewing the EIB in interaction with its stakeholders to study what is ‘at stake.’ The stakeholders prioritised for analysis in this research are primarily the EU member states (EIB shareholders), and secondarily, the Commission, one of the three central EU policymaking institutions. The role of other stakeholders, such as NGO’s, other multilateral banks, borrowers and investors, is also taken into consideration, albeit to a lesser extent. Given that markets are loci of exchange involving cooperation and antagonism among rational actors striving to fulfil a specific purpose (Hodson & Peterson, 2017), the EIB’s ‘shift’ to a climate bank is analysed in relation to the varying interests of its stakeholders in order to identify the reasons—the EIB’s own or external—that prompted such a ‘pivot.’

To analyse individual actors, which within the sociology of markets framework are considered as rational, and to understand the EIB’s role in the EU governance

constellation, the article uses rational choice institutionalism, notably a principal-agent model approach, well suited and used in literature to study European governance actors and regional development banks, such as the EIB (Clifton, Diaz-Fuentes, & Howarth, 2021; Fontan & Howarth, 2021). The methodology used is based on academic literature that has approached the EIB from similar angles—principal-agent model (Liebe & Howarth, 2019), and sociology of markets (Mertens, & Thiemann, 2019)—as well as different perspectives and more general perspectives, and a review of official documents, consisting mainly of public speeches, press releases, and annual reports, including elements relevant to the research questions. Viewing the EIB as the agent and the EU member states and the Commission as principals and policymakers who use the agency to maximise their objectives, the principal-agent model is useful for investigating the causal influences of their interactions on EU governance and policymaking (Pollack, 1997). Given that the principal-agent models assume that the interests of principals and agents diverge due to informational asymmetry, to the advantage of the agent, the results of such an analysis can unveil the background of EU decision-making and governance transformations. It is precisely this asymmetry that ‘empowers’ and motivates the agent to act in his own best interests. Thus, the principal is in a position to prescribe the pay-off rules in the relationship by limiting the ability of the agent to exercise policy discretion (Hooghe, 1999). The principal-agent model allows one to gauge whether and when the EIB was called by the principals or if instead, it exploited the political context and available policy windows and acted as a policy entrepreneur when it ‘became’ a climate bank. In this way, the article delves into whether and how the rational interests of the bank have led to the EIB’s ‘pivot.’ Subsequently, it evaluates whether the EIB’s turn constitutes a discontinuous change or, in other words, a ‘quantum leap,’ as suggested by the EIB.

3. The EIB’s Quantum Trajectory: From Policy-Taking to Policymaking

The starting point of this research is a longitudinal study of EIB as an agent, attempting to identify whether it has been acting as the policy-taker of the principal’s line and whether there are eventual deviations or changes of course.

3.1. Policy-Taking

Founded in 1958 by the Treaty of Rome as the EU’s bank, the EIB is the EU’s long-term lending arm. The EIB has a historical presence in Europe. Its statute has been annexed as a protocol in seven successive EU Treaties. The EIB’s qualitative and quantitative development mirrors the evolution of the Union, adapting to calls to accommodate successive enlargements and priority reorientations. These are reflected in the bank’s

ever-evolving activity objectives, geographical spread, the volume of operations as well as its structure and processes. Accordingly, the EIB has portrayed itself as a principal vehicle for implementing EU economic policies.

The EIB business model is based on three pillars of value-added: (i) consistency with EU policies, support for the EU priority objectives and EU policy dialogue with partner countries; (ii) project technical, economic, environmental and social appraisal and conditionality; and (iii) EIB financial and non-financial contribution to the project. The EIB transfers the financial advantage of its funds to the beneficiaries and leverages additional finance from the public and private sector (EIB, 2011, p. 3).

For more than thirty years, the EIB has viewed itself as a technocratic implementation agency “having no organic ties with other Community institutions” (EIB, 1987, p. 3), “autonomous” (EIB, 1991, p. 1; Robinson, 2009, p. 652) and independent (Peterson, 2004). EIB’s “independence” (EIB, 1987, p. 16) as proclaimed explicitly by President Bröder, let the EIB’s bank-side curve out and dominate over its institutional-side. The bank’s independence has also continued to prevail under the presidency of Sir Brian Unwin, stressing in parallel the bank’s institutional role until the early 2000s: “The EIB it is in a sense the Unions ‘house bank’ operating as an autonomous non-profit maximising financing institution, owned by the 15 Union Member States” (EIB, 1996, p. 1). Subsequently, the EIB started to downplay its independence, highlighting a ‘policy-driven’ aspect, consistent with the bank’s intention of closer integration in the EU institutional constellation, while continuing to stress its dual capacity. As stated by President Maystadt:

The EIB is no ordinary bank: It was created specifically to provide financial support to the EU’s objectives. I describe this special character with the term ‘policy-driven bank,’ namely a bank which in synergy with the other EU institutions and without burdening the public purse, contributes to the realisation of projects giving concrete expression to the economic, social and ultimately, political priorities of the Union. (EIB, 2001, p. 4)

Since 2011, under the current president, Hoyer, the term ‘policy’ has been dropped, albeit increasingly and systematically ‘showcasing’ the EIB’s institutional role by branding the EIB as ‘the EU bank’ (EIB, 2012, p. 4). Nevertheless, progressive differentiation started thereafter. While demonstrating self-confidence by projecting its size—for the first ever time in a president’s message in an annual report—as “the world’s largest supranational borrower” (EIB, 2011, p. 5), it appears that the EIB is in search of an identity. In different months in 2019, its self-characterisations ranged from a ‘crowding-in bank’ (EIB, 2019a, p. 12) to a ‘climate bank’ (EIB, 2019b). This leads to a question: Is the EIB’s ‘quantum leap’ simply a further term in its search for an identity? A further adaptation to

a policy field of intense interest to the EU, as on several occasions in the past? Or does the ‘pivot’ to a climate bank point to an EIB turn toward policymaking?

Beyond the EIB’s agency role, its policy-taking has also been specifically, consistently, and increasingly emerging in its top officials’ discourse over time. Under the Le Portz presidency in the 1970s, the bank described itself as “translating into practice the priorities, as formulated by the EIB’s Governors, who are the member states’ Ministers of Finance or Economy” (EIB, 1984, p. 10). Policy-taking continued to emerge explicitly or implicitly in later years, and President Bröder observed that the EIB “has constantly adapted its activity in keeping with successive enlargements of the European Commission and developments in Community policies, thereby serving Member States’ needs as effectively as possible” (EIB, 1988, p. 3). Similarly, President Unwin described the bank’s remit as “furthering the Union’s priority economic objectives” (EIB, 1994, p. 5), and President Maystadt explained that “the Bank has defined itself as a public policy bank, and seeks to interpret this to the maximum as congruence with EU policy as developed principally by the Commission” (EIB, 2005, p. 1). President Maystadt explicitly stated that the EIB “does not have as part of its remit the power to define policies” (Bussière et al., 2008, p. 6). Following the same line, the current president, Hoyer, has claimed that the EIB is “providing finance and expertise for sound and sustainable investment projects which contribute to furthering EU policy objectives. The EIB also implements the financial aspects of the EU’s external and development policies” (European Parliament, 2013, p. 2). Not only has the EIB portrayed itself as a policy-taker; it has been also viewed as such by its stakeholders when asked to support the implementation of evolving EU policies. Through the Council, the EU member states have regularly called on the EIB to support changing policies in a constantly mutating context by altering its objectives, volume and geographical reach in order to assist European policy objectives. Starting with the provision of development finance in the 1960s, examples over the years include the addition of other objectives, such as energy in the 1970s, the environment in the 1980s, priority lending to the Trans-European Networks in the 1990s, increased support for innovation in the 2000s, assisting economic recovery after the global economic crisis in the 2010s, and the Covid-19 pandemic in 2020. The Commission has also been calling on the EIB to “step up its efforts in designing new instruments” to support investments in green innovation (European Commission, 2005, p. 4). For the European Parliament, “The EIB is in fact a financial instrument serving Community policies” (European Parliament, 2000, p. 3). Peer multilateral banks have also been viewing the EIB as a policy-taker, given that “it makes long-term finance available for sound investment in order to contribute towards EU policy goals” (Asian Infrastructure Investment Bank, 2016, p. 1). In the same fashion, NGOs expect that “the EIB is supposed to fol-

low EU legislation in its activities both in and outside EU” (Feiler & Stoczkiewicz, 1999, p. 5).

3.2. From Policy-Taking to Policymaking

In line with typical agency dilemma situations, while EIB’s official rhetoric has focused on its policy-taking role, its practices have been increasingly drifting towards policymaking. The EIB has been tacitly but systematically prioritising its rational interests, departing from its technical know-how stronghold, with climate change being the latest example. Cognizant of this shift, the academic community has called for research on the bank’s policymaking role (Clifton et al., 2014; Liebe & Howarth, 2019; Mertens & Thiemann, 2017, 2019; Robinson, 2009). These works have demonstrated a gradual and careful EIB shift from a policy-taking to a policy-making role, demonstrating normal entrepreneurship or policy entrepreneurship activism, depending on whether the pendulum was on the side of the bank or the institution, respectively. As a result, the EIB’s aspirations to make a more proactive contribution to EU policy objectives have been revealed, albeit remaining ‘under the radar.’ Additionally, these works explored some of the subtle ways the EIB has been shirking and exploiting the political context and policy windows to increase its policy influence.

However, the situation changed when the EIB openly claimed, for the first time, a policymaking role under the current president. Confirming the bank’s politicisation (Mertens & Thiemann, 2019), President Hoyer argued that he was the one who had pushed the Juncker plan along with Commission President Juncker. In a speech for Luxembourg’s ‘movers and shakers’ in October 2015, he mentioned that he and President Juncker worked together to create the Juncker Plan, and he went on to explain the importance of the EIB in this policy development:

When I met with Jean-Claude Juncker in the summer of 2014, he was preparing his program for becoming the new President of the Commission....This is the point where Jean-Claude Juncker and myself agreed to enable EIB to take risks on a much larger scale. If you want, this was the birth of the Investment Plan for Europe, or better known as the Juncker-Plan. (EIB, 2015b, p. 14).

President Hoyer also confirmed EIB’s politicisation as a “political instrument...[as it] serves a political purpose” (Toplensky & Barker, 2019).

4. The EIB’s Climate ‘Pivot’ Context

Tying back to the main thrust of this research, when President Hoyer explained the EIB’s ‘makeover’ into a climate bank at the bank’s annual conference in January 2020, he followed the same line: “We listened

to the European Council and to the President of the Commission, Ursula von der Leyen” (EIB, 2020a, p. 8). Seen from a principal and agency perspective, this statement—seemingly submissive—can be viewed as the starting point of a paradigm shift in the EIB’s positioning in the EU governance setting. This statement is unlike his earlier rhetoric and the EIB’s customary policy-taking discourse, showcasing the bank’s efforts to “deliver on commitments to Member States” (EIB, 2015a, p. 1) or “to deliver on the promise of the Investment Plan for Europe calls” concerning the Commission (EIB, 2015b, p. 4). The 2020 statement could even be interpreted as an attempt to refer to the EIB as *inter pares* with the Council and the Commission. Although one should observe how the EIB rhetoric will evolve, there is further evidence of this. First and foremost, the timing of EIB’s ‘pivot’ shows some intention to break away and challenge the EU governance set-up. The EIB released the news of its ‘transformation’ on November 14, 2019 (EIB, 2019b), well before von der Leyen’s Commission presented the European Green Deal on December 11, 2019 (European Commission, 2019). This constitutes a change in the paradigm in which the EIB announcements usually postdate the Council and the Commission for courtesy reasons, as expected in a principal-agent relation. Second, the EIB’s congruent new climate strategy and energy lending policy ending fossil fuel financing after 2021 and its simultaneous pledge of one trillion Euros by 2030 for climate change, publicised upon its ‘pivot,’ demonstrate a policymaking role. The latter, seen in conjunction with the EIB’s pioneering climate-related capital market activity—well before the Commission streamlined its climate finance policy in 2015—shows that the bank has been feeling relatively well-positioned to play a more pro-active role in this area. Third, the context of the EIB proclamation falls during a period of tough negotiations in EU circles concerning the EIB’s position within an eminent reshaping of the economic governance set-up related to: (i) the creation of a European development bank, with three possible scenarios under discussion, including an EIB subsidiary, an European Bank for Reconstruction and Development (EBRD) subsidiary and an independent institution as the third option; and (ii) the InvestEU, as a successor to the growth-promoting Juncker plan for the period 2021–2027. In these negotiations, the EIB appears to be losing its historic primacy of being entrusted with the exclusive mandate of managing EU funding or guarantees as the EU bank. In this context, the EIB is placed almost on par with other multilateral and national banks, although maintaining a preferential position, managing 75% of these resources. Depriving the EIB of its monopoly over the EU budget seems to be a new paradigm, also followed by the Commission under the European Green Deal:

The Commission will also work with the EIB Group, national promotional banks and institutions, as well as with other international financial institutions. The

EIB set itself the target of doubling its climate target from 25% to 50% by 2025, thus becoming Europe’s climate bank. (European Commission, 2019, p. 16)

In addition to the paradigm shift in the EIB’s principal and agent role-setting, the above analysis suggests that the EIB’s ‘transformation’ into a climate bank was deliberated during strained institutional and market conditions. To better understand the prevailing background, particularly the EIB–stakeholder interaction, this article draws on a sociology of markets perspective. First, the profiles of the stakeholders are discussed along with the reasons for including them in this analysis. The EIB and its EU governance stakeholders have similar preferences regarding climate action, given an apparent change in public and institutional sentiment about the significance of the issue. The EU member states are the EIB’s top-ranking stakeholders, as they are the bank’s constitutionally exclusive shareholders. Serving their interests and needs is EIB’s *raison d’être* and the *sine qua non*-condition for its existence. In turn, its shareholders have demonstrated extraordinary and continuous support, as evidenced by successive capital increases. The EIB enjoys the strongest shareholding support of all multilateral banks, mainly because its shareholders are, on the one hand, exclusively high-income industrialised countries, and on the other hand, because they are the EIB’s prime beneficiaries, with a historic average of 90% of the bank’s aggregate annual lending. Obviously, shareholders’ support also recognises the bank’s agency services in delivering upon their calls, adapting its activity to their ever-changing topical demands. Nevertheless, in parallel to their recent support—demonstrated by the replenishing of the EIB’s capital post-Brexit—EU member states have also expressed a desire to reform the EIB and obtain a higher level of control through the EU governance setup, including supervision of the EIB by the European Central Bank (Brunsdon & Khan, 2018; Khan, 2018; Mertens & Thiemann, 2018). In a lead-role among member states, France has been promoting:

The idea of creating a bank to concentrate on climate change...[and] Ursula von der Leyen... signalled that shifting the mandate of the European Investment Bank is among the options under consideration [while announcing to the European Parliament on 10 July 2019 the ‘transformation’ of the EIB] into a European climate bank, a green bank, we will be role models worldwide. (Krukowska, 2019)

Member states’ goading and the European Commission’s support of the need to turn Europe into a climate cause front-runner prior to the EIB’s ‘pivot’ proclamation in November 2019 raises further questions about the timing of and reasons for the bank’s announcement. The EIB’s rush to anticipate the Commission’s Green Deal makes the exploration of these questions more pressing. The Commission, as the ‘guardian of the Treaties’ and de

facto part of the EU policymaking scene, has a seat on the EIB Board of Directors and is becoming an increasingly important stakeholder of the EIB, due to strengthened joint action. In the run-up to the new Commission leadership, the Commission saw climate change as a way to mark its tenure, as it: (i) reflects public sentiment; (ii) would be able to consolidate the EU's climate worldview; and (iii) has growth potential because it touches all sectors of social and economic activity (Rifkin, 2011). Investments in climate-related areas are intertwined with quality of life as well as research, innovation, and industry 4.0. For financing investment schemes, the Commission is happy to rely on the EIB's agency skills. In need of specialised finance skills, the Commission views the EIB as a reliable and highly qualified technical partner with which "it has strengthened collaboration... and created stronger links between structural funds and the new financial instruments with the aim of leveraging... investment" (European Commission, 2019, p. 19). In this sense, the Commission is the EIB's sister organisation, offering the EIB a unique comparative advantage among its multilateral peers (Kavvadia, 2021). Their long-established cooperation covers policy and implementation arrangements, including funding and guarantees. In the EU governance setting, the two institutions have been conceived in a principal-agent relationship since the 1960s, when the EIB was mandated to provide financing outside the Union. Their relations have been characterised by the typical agency dilemma inherent in a "cultural gap" (European Parliament, 2016, p. 103) and "discontent" (Mertens & Thiemann, 2019, p. 21). Nevertheless, the two have increasingly been leaning on each other to address operational issues under various mandates. The EIB has been comforting the Commission by providing technically sound mandate management, while the Commission has bolstered the EIB with funding and risk coverage. The latter has been actively sought by the EIB in situations of high risk and during times of turmoil, such as the introduction of the euro, the global financial and economic crises, and the Covid-19 pandemic. With this increasing cooperation, however, the Commission feels a stronger need for exercising greater control over the 'resisting' EIB (Counter Balance, 2020b). With the Green Deal, cooperation with the EIB in the relatively new area of the green finance agenda is important for the Commission, which did not engage in mainstream implementation of climate action policy in capital-markets until around 2015, whereas the EIB structured its environmental involvement earlier, through the pioneering issuance of green bonds in 2007. This cooperation among the two EU actors did not go unnoticed by another EIB stakeholder, the European Parliament. The Parliament's current 'greener' composition is fully in line with the new EU policy agenda, acknowledging the benefits of Commission–EIB cooperation in green finance while also demanding increased control over the EIB (Counter Balance, 2020b). In its 2016 study of the EIB's role in EU's cohesion policy, the Parliament acknowl-

edged that the Commission had to rely increasingly on the EIB's expertise and anticipated this pattern to further strengthen in the future based on the experiences from the financial crisis (European Parliament, 2016).

Beyond the EU governance set-up, the EIB context is also determined, shaped, and influenced by the bank's peers, which in the sociology of markets framework are viewed as key organisational stakeholders. Within the multilateral banks market, the EIB has already surpassed all of its peers, including the World Bank, in terms of capital and volume of activity. Despite the recent addition of new institutions in the multilateral banking scene, such as the Asian Infrastructure Investment Bank and the New Development Bank, the EIB's leading position seems currently unchallenged (Kavvadia, 2021). Given the global importance of the climate, 11 of the multilateral banks, including the EIB, have agreed to deepen their collaboration to promote sustainable infrastructure (EIB, 2017a) as a further example of cooperation initiatives. While certainly not excluding competition among peers, projecting cooperation is important for the relevance of public banks, especially in light of the increased scrutiny concerning their relevance, mainly from think-tanks and NGOs. As a result of this scrutiny in recent years, the slow climate action of multilateral banks has been voiced as an NGO prime concern. Uniquely equipped to implement policy and funding in a wide cross-border area, these banks are best suited for dealing with new and diverse global challenges, such as climate change. In 2016, there were already calls for turning the World Bank into a climate bank and "renaming the International Bank for Reconstruction and Development... as the International Bank for Reconstruction and Sustainable Development" (Montek, Lawrence, & Andrés, 2016). The World Bank, having a world-wide membership and being closest to the UN global climate policymaking, would be an ideal candidate to take over the climate funding leadership, for "making financial flows consistent with a pathway towards greenhouse gas emissions and climate-resilient development" (United Nations Framework Convention on Climate Change, 2015). Given that, in the sociology of markets framework, actors operate through agency, "framing and entrepreneurship" (Fligstein, 2011, p. 7), the EIB has slipped into the role of a lead multilateral climate financier aware of the position of its peers. The EIB has obviously used a policy window to its advantage, building on its strength of having shareholders committed both to the climate cause and the EIB. The bank could therefore act swiftly and establish itself as the first international climate bank. Although better positioned, it is difficult for the World Bank to achieve such a major 'transformation' due to its wide shareholding basis and concomitant slower processes. The EBRD also has ambitious climate policy and funding aspirations (van de Ven, 2017). It has been "a global leader at financing green investments, most notably through the private sector" (EBRD, 2020, p. 1), and in 2020 green energy represents 50% of its annual funding. Nevertheless, the EBRD did

not make a decisive move on climate finance, possibly because it was more focused on ‘bearing down’ on the EIB in terms of geographical reach, product mix and most importantly political support within the EU, as mentioned earlier. The EIB was the first to put on the climate bank hat, thus getting a head start and further strengthening its positioning among its peers. NGOs are the natural activist stakeholder in the EIB’s ‘makeover.’ Starting from strained relations and a complete disapproval of “EIB’s actual disregard for environmental considerations...[and the fact that]... the EIB is supposed to follow EU legislation in its activities... but does not seem to do so” (Feiler & Stoczkiewicz, 1999, p. 5), NGOs obviously hailed EIB’s ‘pivot,’ considering it largely as a victory. After this rough start in the 1990s and the ‘bumpy’ relations with the NGOs, the EIB focused on increasing its knowledge and expertise in green finance. Indeed, it is thanks to prodding by NGOs that the EIB presented a new environmental policy containing numerous positive statements and requirements in 1996, becoming more climate aware and proactive in the last 10 years. Its green financial initiatives and environmentally upgraded operational criteria and processes have prepared the ground for assuming a prime role in the green market and finance policymaking. However, NGOs cannot be seen as the prime motivator of EIB’s ‘pivot,’ rather, they acted as a supportive stakeholder. The last category of EIB stakeholders of interest in this research includes the bank’s investors and borrowers. The former have already shown positive responses to the EIB’s climate aspirations by supporting the bank’s green bonds, representing on average 6.5% of the EIB’s yearly issuance programme, while the latter account for 25% of the EIB’s yearly lending activity on average. While these volumes constitute a good starting point—both on the asset as well as the liability side of the bank—they do not appear sufficient for an EIB turn-about into a purely climate bank. Consequently, the EIB does not appear ‘mature’ in its complete ‘makeover’ to a climate bank from a quantitative perspective. Increasing its lending to the interim target of 50% by 2025 from its record of 31% in 2018 appears challenging. This seems even more true in the post-pandemic context, as several investments will be halted and new investment priorities will be set, mainly in support of existing assets and entrepreneurial undertakings. Nevertheless, on the liability side, with more than €16 billion issued in the green format across 11 currencies, the EIB remains one of the largest issuers of green bonds (EIB, 2017b, p. 3).

The above analysis reveals that EIB’s ‘pivot’ to a climate bank is not based on business grounds, given that its climate borrowing and lending activity (6.5% and 25%, respectively) do not justify such a radical step. The EIB’s ‘metamorphosis’ into a climate bank targets climate-related lending of 50% of its aggregate annual lending within five years. Unlike its institutional side, which is aligned to EU policy objectives, the EIB’s bank side is demand driven. In 2018, its environment lending was €17 billion, that is, 31% of the total annual lending of

€55,6 billion. Extrapolating from these figures—*ceteris paribus* and based on the EIB’s projection of maintaining the same lending volume (EIB, 2020b)—the EIB would have to achieve an additional €10 billion of climate lending beginning in 2025. Of course, the EBRD has already achieved green finance of 46% of its aggregate annual funding. Although the EBRD is much smaller than the EIB, in absolute terms this amounts to €4,6 billion (i.e., 1/3 of the EIB’s 2018 climate volume, prior to its ‘pivot’). The question of whether there are enough investment projects qualifying under climate funding is beyond the scope of this research and remains open, especially as climate-related projects are characterised by a higher innovation intensity and risk profile. With regard to its borrowing activity, the EIB has not committed to a target.

5. EIB’s Quantum Leap?

Returning to the analysis above, although not publicly evident, the EIB decided on its ‘pivot’ based on an increasing trend toward ‘politicisation’ on grounds related to its stakeholders rather than business reasoning. The EIB has been acting as a policy entrepreneur, applying rational long-term thinking and a risk/benefit analysis. Driven by its principal interest of political and market relevance, the bank exploited a policy window and announced its ‘transition’ to a climate bank in a swift and timely manner. More specifically, for reasons of political relevance, the EIB has sought to primarily satisfy the EU member states, as they are its top-priority stakeholders. In doing so through its ‘pivot,’ the EIB also rendered service to the Commission, which was seeking ways to satisfy the EU member states while shaping its ambitious Green Deal plan. Having said that, the EIB was not acting as a policy-taker, not merely because it consciously raised its public profile as a policymaker by pre-empting the Commission announcements. Faced with pressure from its stakeholders, the EIB acted aggressively as a policy entrepreneur, aiming to change the game, shifting from being challenged to taking the lead and becoming the game-maker. In recent years, the EIB has been challenged by some of the EU member states, which have called for radical reforms (Mertens & Thiemann, 2019). Additionally, the bank has been under pressure from the Commission as well. In search of increased control, the Commission has been curtailing the bank’s traditionally privileged position as the exclusive mandate manager of EU funds and guarantees by offering ‘cake’ slices to new ‘beneficiaries,’ such as the National Promotional Banks and the EBRD. Furthermore, the European Parliament has also been asking for increased control over the EIB since the early 2000s, when the EIB approached the Commission for stronger cooperation, as mentioned above. Naturally, the NGOs have been calling for EIB’s decarbonisation. Meanwhile, peers have also joined the ‘pressure circle.’ The EBRD has been ‘conquering’ market territory and becoming stronger compared to the EIB, extending its

activities in new regions and countries, beyond its original remit, even within the EU—the EIB’s ‘stronghold’—in countries such as Greece and Cyprus. By sharpening its image and political influence, it has strengthened and extended its cooperation with the Commission. Even within the EU economic governance setting, the EBRD has often been placed on par with the EIB, despite its non-EU institutional global membership, including American, Asian, and Oceanian countries. In this situation, where stakeholders seek increased control over an organisation that has grown to become the world’s largest multilateral bank, the EIB’s quantum leap seems to be motivated by its rational interests of escaping EU political pressure and maintaining its relevance. The EIB’s interests are topped by the bank’s endeavours to maintain its relevance and safeguard its positioning, mainly in the EU governance context and, to a lesser extent, in the multilateral banking context. The EIB’s observed propensity to assume a policymaking role contributes to its vital interest in controlling the developments and guiding them toward preferred solutions through early participation in the agenda-setting. Climate action has been chosen as the battering ram for breaking into the EU institutional policymakers’ club for the following reasons: (i) it has wide political support; (ii) it is topical, but with a long-term future horizon; and (iii) the EIB is well placed to play a lead role given its long held and recognised expertise in climate finance.

The leap was swift and well timed to exploit a window of opportunity during a developing situation within the EU governance context. This first-entrant act solidified EIB’s institutional and market position, building on its previously recognised climate mastery. While essential for supporting the implementation of EIB’s ‘pivot,’ its business metrics do not yet justify its climate ‘makeover’ and cannot be seen as the factors motivating the conversion. Acting as a policy entrepreneur, the EIB used a policy window in a period of ‘malaise’ in the run-up to major changes in the European economic governance, some of which directly concern its activity in the EU as part of the InvestEU and others its role outside the EU in a new institutional European development banking set-up (currently under consideration). The EIB’s climate turn is a paradigm shift toward policymaking and agency activism to satisfy the bank’s rational interests of political and market relevance.

6. Conclusions

In a combined act in November 2019, the EIB ‘metamorphosed’ into a climate bank, while also announcing the launch of a new climate strategy and energy lending policy ending fossil fuel financing after 2021 and including targets and milestones. By pre-empting the EU official announcements concerning the Green Deal, which the EIB’s ‘pivot’ is to support, and by using in parallel a rhetoric that deviates from the bank’s customary discourse, the announcement constitutes a paradigm shift

in the EIB’s institutional behaviour. In this case, instead of its historical ‘policy-taking’ attitude, the EIB deliberately wished to take centre stage and enter the spotlight, a course usually taken by the policymaking actors within the EU governance. Furthermore, the act has not been justified by the bank’s prior climate metrics, which at the time of the announcement were below those of some of the EIB’s peers, and represented only a quarter of its aggregate annual lending, compared to half of the annual activity showcased by some of the peers. In this sense, the EIB’s ‘pivot’ announcement diverges from the bank’s path-dependent evolution and customary rhetoric, and as such, constitutes a ‘quantum leap,’ as stated by the EIB.

The article, therefore, argues that capitalising on its reputation, the EIB’s resounding climate ‘conversion’ can be understood through its trend toward increased politicisation. The climate ‘conversion’ constitutes further evidence of the EIB’s aspirations to make a more proactive contribution to EU policy objectives, as already revealed by several scholars. Demonstrating agency activism as a policy entrepreneur, the EIB used a policy window presented during a period of ‘malaise’ and fermentation in the run-up to major changes in the European economic governance set-up, to raise its profile for improved political and market positioning. Having grown to be the world’s largest multilateral bank, a greener EIB agenda—consolidating and building on the bank’s climate finance, renowned mainly due to its pioneering climate-related capital market activity—can have important implications for the economy, climate, and governance in the EU and beyond. However, whether the EIB’s announcement will go beyond the ‘quantum leap’ in the bank’s public appearance, to constitute a real metamorphosis, can only be benchmarked against the bank’s future metrics. They will prove either a bold new departure from previous activity or simply an adaptation to a new European priority policy field, as has occurred on several occasions in the past.

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Conflict of Interests

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